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Indonesia

Grain and Feed Update

Indonesia Grain and Feed Update October 2013

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Report Highlights:
Indonesian wheat PSD estimates are unchanged, with the exception of MY 2012/13 imports, which are revised from 6.9 to 7.146 MMT based on recent trade data. Post PSD estimates for corn and rice remain unchanged. Higher than usual rainfall during the dry season contributed to higher corn plantings in July 2013. Rice production is expected to reach a record 59 MMT in MY2013/14 due to the adoption of new, higher yielding varieties. Official weather forecasts expect an earlier rainy season in 56.1 percent of planting areas and above normal rainfall in 37.4 percent of planting areas.

Post: **Commodities:**
Jakarta

Executive Summary:

SECTION I. SITUATION AND OUTLOOK

Indonesia's major food crops growing areas are characterized by a wet season that runs approximately October to April, and a dry season that runs May through September. Three harvests are typically carried out in a year. The 2012/13 dry season has been marked by rain, similar to the 2009 and 2010 seasons. As a result, rain-fed areas experienced stronger corn plantings during the dry season, especially during the third crop cycle which starts in July. Looking to the 2013/14 season, the Indonesian Meteorology, Climatology, and Geophysics Agency (*Badan Meteorologi, Klimatologi, dan Geofisika,* BMKG) has forecast that 20.8 percent of planting area will experience a start to the rainy season in September, 35.1 percent in October, and 28.7 percent in November. Compared to the 30 year average, the rainy season will arrive early in 56.1 percent of Indonesian planting areas and on time in 31.3 percent of planting areas. BMKG is forecasting normal rainfall intensity in 56.1 percent of planting area and above normal rainfall intensity in 37.4 percent of planting areas.

On July 10, 2013, Indonesian Ministry of Public Works reported that the condition of water elevation at 11 water reservoirs was normal, while 5 water reservoirs was in alert condition. (See Table 2 for more information).

WHEAT

Indonesian wheat PSD estimates are unchanged, with the exception of MY 2012/13 imports, which are revised from 6.9 to 7.146 MMT based on recent trade data. MY2013/14 imports are forecast at 7.2 MMT.

Wheat consumption remains stable despite a weakening exchange rate. In July 2013, the Indonesian Rupiah fell below Rp. 10,000/$1. The Center of Market Information, Ministry of Trade, reports that the average retail price of "Segitiga Biru," a common wheat flour variety, increased from Rp. 7,575/kg in July to Rp. 7,775/kg in September. The Indonesian Bakery Entrepreneurs Association (APEBI) also attributes a 10 percent bread price increase since early September 2013 to the weakening rupiah. Indonesian flour millers report that they are passing price increases on to consumers.

Higher wheat prices have constrained wheat consumption growth. The Indonesian Flour Mills Association (APTINDO) reports that 2012/13 growth was closer to 7 percent, while 2013/14 growth is likely to fall. Growth will likely slow in the bakery segment. Demand for noodle is more inelastic, and will help support overall wheat flour consumption.

CORN

Production: Post estimates for Indonesian corn remain unchanged at 8.5 MMT. During recent crop travel in east Java and Sumatra, local growers indicated that they will plant corn in place of rice when rainfall is less. Although major planting areas experienced a rainy season that extended into late July/early August, rainfall was lower than forecast, resulting in corn planting that was greater than expected at the beginning of the year. Looking to 2013/14, growers are indicating the intention to plant

more hybrid corn. These intentions, coupled with a lack of any significant pest or disease problems will continue to push up corn production in 2013/14, with current estimates set at 9.2 MMT. In addition to competition between corn and rice, Post will continue to observe farmer planting decisions between corn and cassava. Cassava planting competes directly with corn in southern Sumatra (Lampung-Indonesia's third largest corn production area). Lampung is home to five cassava plants and four feed mills, and competition between the two may lead to significant production shifts in southern Sumatra.

In October 2013, the Indonesian Ministry of Agriculture (MOA) introduced a new program to facilitate agricultural loans. The program is intended to provide farmers with financing in order to help increase corn production, with a particular focus on Banda Aceh, North Sulawesi, Central Sulawesi, Southeast Sulawesi, East Nusa Tenggara, West Nusa Tenggara, and East Java provinces. Post will observe the program and report if it leads to significant production changes.

Trade: Post maintains 2012/13 corn imports at 2.7 MMT. This is supported by the Indonesian Feed Mills Association (GPMT), which reports that Indonesia imported a total of 2.1 MMT of corn during the October-July 2013 period. Slightly lower corn production combined with higher feed mills production capacity are expected to maintain robust MY2012/13 Indonesian corn imports. 2103/14 imports remain at 2.2 MMT based on strong domestic production.

RICE, MILLED

Production: Post forecasts 2013/14 rice production at a record 59 MMT. Record production is attributable to adoption of new, higher yielding varieties. 2012/13 production remains at 57 MMT. BMKG forecasts the rainy season to arrive in most planting areas starting in mid October- November. As a result, most rice plantings on Java are expected for late October/early November, 2013. Some plantings in Central Java and Southern Sumatera are expected to be delayed into November due to limited rainfall, while farmers in the Bengawan Solo River region in East Java were able to start plantings in mid October. Given this timing, Indonesia's first main harvest, which contributes between 55 and 60 percent of total national paddy production is expected to take place between February and April 2014.

The Ministry of Agriculture and the Agriculture Commission of the Indonesian House of Representatives are reported to be considering a Presidential Decree that would permit the distribution of subsidized planting seed. Under the Decree, the Ministry of Agriculture will assign a state-owned company to manufacture and distribute rice seed. The Decree has not yet been signed and is thus not implemented.

Trade: Indonesia is expected to import 1 MMT of rice in 2012/13 and 1.5 MMT in 2013/14. Indonesian regulations only permit the Indonesian logistics agency (BULOG) to import medium grain staple rice. Private importers are allowed to import specialty rice such as japonica, basmati, etc. Imports are tied directly to BULOG's ability to procure sufficient quantities of domestically produced rice at state prices. In 2012/13, BULOG's procurement target is 3.2 MMT. They are equally required to hold 2 MMT in stocks by the end of the year. As of October 2013, BULOG had achieved its procurement goal and held 2.7 MMT of stocks. Given these factors, it is unlikely that BULOG will require high imports in 2012/13. Imports remain at 1 MMT, the majority of which is specialty rice. As of July 2013, specialty imports had reached 430,000 MT. There is still uncertainty over 2014 rice imports, which are currently set at 1.5 MMT. While political considerations during an election year

may drive down imports, this could be offset by low ending stocks.

Source: Cipinang wholesale rice market, The Rice Trader.

Consumption: Indonesia is the 4th most populous nation in the world with a population of roughly 240 million people. Over 50 percent of the population is between the ages of 5 - 34 years. While up and coming segments of the population are driving up consumption of basic staples, the emerging middle class supports the expansion of specialty rice imports. As a result, 2012/13 rice consumption is stable over the 2011/12 year at 39.55 MMT, while 2013/14 has expanded slightly to 39.8 MMT in response to population growth.

The GOI increased the 2012/13 total rice allocation for the rice for the poor program (raskin) to 3.5 MMT. This decision was taken partly to offset increased fuel prices. Under raskin, rice will be distributed to over 15 million families at the subsidized rate of Rp. 1,600/kg. Each family will be entitled to 15 kg of rice per month over a 15 month period. As of mid October 2013, BULOG distributed 2.8 MMT of rice through the *raskin* program. BULOG also sold 99,000 MT of rice on the commercial market during the January-October 2013 period, in order to help drive down domestic rice prices.

PSD TABLES

PSD: WHEAT

Wheat Indonesia	2011/2012	2012/2013	2013/2014

	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: May 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	
Beginning Stocks	1,615	1,615	1,600	1,600	1,855	1,903
Production	0	0	0	0	0	0
MY Imports	6,457	6,457	7,140	7,146	7,200	7,200
TY Imports	6,457	6,457	7,140	7,146	7,200	7,200
TY Imp. from U.S.	739	739	548	548	0	0
Total Supply	8,072	8,072	8,740	8,746	9,055	9,103
MY Exports	222	222	235	193	225	225
TY Exports	222	222	235	193	225	225
Feed and Residual	150	150	150	150	165	165
FSI Consumption	6,100	6,100	6,500	6,500	6,900	6,900
Total Consumption	6,250	6,250	6,650	6,650	7,065	7,065
Ending Stocks	1,600	1,600	1,855	1,903	1,765	1,813
Total Distribution	8,072	8,072	8,740	8,746	9,055	9,103
Yield	0.	0.	0.	0.	0.	0.

Note: Figures in the "New Post" columns are not USDA Official figures.

Table 1. Indonesia: Rainfall Data

Rainfall Pattern at Selected Station in Rice/Corn Producing Areas (in millimeters, except where stated)

JATIWANGI (WEST JAVA)												
Year	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2008	651	208	436	160	83	32		4	1	44	528	493
2009	231	208	279	211	57	N/A			1	53	398	191
2010	231	332	492	278	385	161	n/a	112	216	195	287	261
2011	23	176	482	558	149	98	22			29	290	491
2012	182	330	329	144	26	70				47	204	496
2013	251	449	439	283	157	217	196	20				
TEGAL (CENTRAL JAVA)												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2008	229	169	295	277	19	85	21	35	2	74	115	259
2009	140	169	112	60	161	N/A	0	1	20	8	92	57
2010	122	242	152	263	200	193	N/A	121	143	64	159	214
2011	82	372	217	105	138	10	69	0	4	37	128	340
2012	335	294	330	111	86	22	1	0	0	18	102	238
2013	458	103	229	82	263	301	159	3				
SURABAYA (EAST JAVA)												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2008	250	124	144	132	22	17	0	0	0	59	180	269
2009	357	124	204	164	256	N/A	0	0	0	0	25	166
2010	507	368	295	226	354	90	N/A	14	129	246	113	303
2011	148	194	401	642	158	32	31	0	0	5	243	240
2012	383	181	172	67	88	50	0	0	0	2	58	173
2013	366	286	464	310	197	246	110	1				
DENPASAR (BALI)												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2008	419	403	246	93	65	25	8	1	6	121	67	268
2009	442	403	172	59	49	N/A	23	1	32	14	28	257
2010	199	177	76	327	56	21	N/A	64	286	214	146	256

2011	277	286	277	283	118	15	16	0	0	8	128	279
2012	490	223	627	44	109	11	51	0	92	11	94	208
2013	664	158	118	67	121	189	103	6				
UJUNG PANDANG (SOUTH SULAWESI)												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2008	507	762	255	100	15	78	27	5	6	83	320	481
2009	617	762	196	158	132	N/A	32	1	81	32	151	370
2010	620	409	156	121	311	238	N/A	93	315	185	223	693
2011	481	469	448	228	0	20	1	0	0	121	310	382
2012	538	343	353	N/A	195	35	38	1	1	53	127	366
2013	1067	384	319	334	74	99	241	16				
LAMPUNG												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2008	198	126	199	171	38	35	26	109	27	147	174	313
2009	233	126	218	143	94	N/A	15	58	21	152	176	102
2010	137	231	270	91	84	24	N/A	72	99	176	204	260
2011	188	66	120	106	0	23	70	0	1	116	137	N/A
2012	228	172	172	161	62	N/A	15	6	39	114	80	611
2013	761	154	156	216	166	49	223	19				

Source: Indonesian Meteorology, Geophysics, and Climatology Agency (BMKG).

Table 2. Indonesia: Water Surface Elevation and Condition in Major Reservoirs

No.	Name of Water Reservoir	Monitored Elevation (m)	Monitored Volume (million m^3)	Condition	Status
1	Djuanda	106.67	1,298.13	Alert	10 July 2013
2	Cirata	217.09	732.27	Alert	10 July 2013
3	Saguling	642.41	453.12	Alert	10 July 2013
4	Kedungombo	89.10	673.45	Normal	8 July 2013
5	Wonogiri	136.37	308.64	Normal	10 July 2013
6	Sempor	71.58	36.91	Normal	10 July 2013
7	Wadaslintang	179.05	327.85	Normal	10 July 2013
8	Sermo	139.50	18.57	Normal	2 July 2013
9	Sutami	271.95	131.89	Alert	9 July 2013
10	Lahor	272.48	24.77	Alert	9 July 2013
11	Selorejo	620.63	33.95	Normal	9 July

					2013
12	Bening	108.32	22.23	Normal	9 July 2013
13	Wonorejo	181.26	92.48	Normal	9 July 2013
14	Batutegi	256.4	543.08	Normal	1 July 2013
15	Bili-Bili	97.46	240.38	Normal	10 July 2013
16	Keuliling	45.80	18.70	Normal	2 July 2013

Source: Ministry of Public Works July 2013.